



2323 Grand Avenue • Des Moines • Iowa • 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.ialottery.com

Chester J. Culver • Governor
Patty Judge • Lt. Governor

November 5, 2007

Mr. William P. Angrick II
Citizen's Aide/Ombudsman
Ola Babcock Miller Building
1112 E. Grand Ave.
Des Moines, Iowa 50319

Re: Your Information Requests of October 5 and 22, 2007

Dear Mr. Angrick:

I enclose the answers to the queries posed in your letters of October 5 and 22, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth A. Brickman".

Kenneth A. Brickman
Acting CEO

**Answers to Oct. 5, 2007, and Oct. 22, 2007, Information Requests
And Questions From Citizens' Aide/Ombudsman**

1. The Iowa Lottery's "insider win" policy is defined in Chapter 99G.31 of the Code, which states:

g. No ticket or share issued by the authority shall be purchased by and no prize shall be paid to any member of the board of directors; any officer or employee of the authority; or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any such person.

h. No ticket or share issued by the authority shall be purchased by and no prize shall be paid to any officer, employee, agent, or subcontractor of any vendor or to any spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of any such person if such officer, employee, agency, or subcontractor has access to confidential information which may compromise the integrity of the lottery.

By our reading of the statute, the Legislature considers "insiders" to be employees of the lottery and employees of subcontractors or vendors with inside information that could compromise the integrity of the lottery and certain family members of such persons living in the same household.

The lottery maintains a Social Security-number database of all its employees; independent auditor employees assigned to work at lottery drawings; and those employees of subcontractors and vendors with insider access to information that might compromise the integrity of the lottery. The database also includes the Social Security numbers of the appropriate relatives.

When tickets are claimed for prizes of more than \$600 at the lottery, the identity of the claimant is established and matched against the database to avoid payment of a prize to the inside persons.

Retailers do not have access to confidential information, are not included in the relevant Code sections, and are therefore not included in the database.

2. All letters, e-mails or other inquiries from the public to the lottery are routed to the appropriate person or department depending upon subject matter and answered if the person sending the inquiry can be identified. Any inquiries relating to security issues or matters of impropriety are referred to the lottery's security department, where 100 percent of referrals are investigated.

3. A schedule of unclaimed lotto prizes for fiscal years 2003-2007 is attached.

The schedule does not include unclaimed prizes from instant-scratch and pull-tab games. Outstanding instant prizes could occur when a ticket is purchased and the prize is not claimed (unclaimed prize), but they also could be the result of a ticket that went unsold and was returned to the lottery when the game ended (that is an unsold, not unclaimed, prize). The only way to accurately determine the amount associated with unclaimed prizes would be to play and record many millions of returned tickets and subtract those prizes from all of the remaining outstanding prizes in the game. The net (all remaining prizes, less those prizes from tickets returned unsold to the lottery upon a game's end) would quantify the unclaimed instant prizes.

4. Retailers are licensed by the lottery and as such are required to comply with the terms and conditions of licensure. A copy of the lottery's licensing packet is attached and the terms and conditions are included in that packet. Also attached is a sample copy of a lottery retailer license.

5. The Iowa Lottery used a Tiffany-class GTECH terminal from July 1, 1991, through June 30, 2001. We are enclosing a letter dated Oct. 20, 2000, confirming that no such malfunction as had been reported in the United Kingdom ever affected terminals in Iowa.

6. The lottery's investigative files are confidential under Iowa Code Chapters 99G and 22. Instead, we are providing for your review summaries of investigations by the Iowa Lottery Security staff concerning retailers, retailer employees or lottery terminals during calendar years 2006 and 2007.

Answers to Questions

1. Any issues relating to security or matters of impropriety are referred to the lottery's security department, where 100 percent of referrals are investigated and when appropriate, referred to law enforcement. At the time the \$250,000 prize was claimed, there was no security-related matter or issue of impropriety involved and that remains the case at this time. We had inquired about the winner you referenced. The winner generally buys tickets by the pack (\$300 worth) in the "\$35 Million Cash Spectacular" instant-scratch game and purchases tickets frequently. All of the prizes above \$600 that have ever been claimed by that winner are in the "\$35 Million Cash Spectacular" game. All of the prizes are from tickets purchased at a convenience store where the winner is employed and a grocery store in a nearby town where the winner does not work. Although the winner works at the convenience store, most of the prizes claimed from the lottery were purchased at the grocery store.

2. Any issues relating to security or matters of impropriety are referred to the lottery's security department, where 100 percent of referrals are investigated and when appropriate, referred to law enforcement. Unless there are circumstances involved that would indicate an investigation is warranted, we do not investigate prize claims by retail employees or any other prize winner.

3. Any issues relating to security or matters of impropriety are referred to the lottery's security department, where 100 percent of referrals are investigated and when appropriate, referred to law enforcement. There have been instances of retail employee theft of lottery tickets and all instances reported to the lottery have been investigated by our security staff, all of whom must have law enforcement academy training at a minimum and complete annual continuing education classes in law enforcement matters. Local and state law enforcement often are also involved in such investigations, and the filing of charges and prosecution of cases is conducted by local and state law enforcement authorities outside the Iowa Lottery.

We believe there are individuals who will commit fraud. We doubt that they will exclude the lottery from the list of possible opportunities. However, with the extensive record-keeping associated with lottery products, it is much more likely they will be caught and prosecuted when compared to other types of fraud, such as a retail employee giving change for a \$10 bill when he or she actually had been given a \$20 bill.

All applicants for lottery retail licenses undergo background checks by the Iowa Division of Criminal Investigation and anyone who has been convicted of fraud, a felony or a gambling violation is not licensed as a lottery retailer in Iowa.

4. Iowa Administrative Code in section 20.12 (Ticket Validation Requirements) also states in part, "All claims for prizes are subject to validation by the lottery. To be a valid ticket or share and eligible to receive a prize, all of the following requirements must be satisfied..." Those requirements include the following: "g. The ticket or share must not be stolen."

The reconciliation of the two sections involves looking at both prize eligibility and ownership. If the ticket meets eligibility requirements specified in the Iowa Code (99G.31) and Iowa Administrative Code (20.12) the prize will be paid to the owner of the ticket as defined in the Iowa Administrative Code section 20.11(1).

If the ticket does not meet the eligibility requirements specified in Iowa Code (99G.31) and Iowa Administrative Code (20.12) the prize will not be paid.

As with any other bearer instrument, such as a bearer bond, mere possession of an Iowa Lottery ticket does not guarantee the payment of the instrument when evidence of theft is presented.

If there is any indication of an ownership-related issue involving a lottery ticket, the situation is investigated. In addition, the lottery maintains a database of stolen tickets and payment of prizes from those tickets is blocked until the situation is investigated and a determination can be made as to whether or not the claim should be paid. If criminal activity appears to be involved, the matter is referred to law enforcement. If an ownership issue is raised after a prize has been paid, the lottery fully investigates the matter and refers it to law enforcement if appropriate.

5. Your hypothetical is unclear and confusing. It begs the question of how the clerk came into possession of the ticket without the knowledge and consent of the player when the hypothetical states the player gave the ticket to the clerk.

6. Again, your hypothetical is unclear and confusing since it does not address how the clerk came into possession of the ticket. However, any dispute over ownership of a ticket is investigated by the lottery. If evidence of criminal activity in connection with a transaction is found, it is referred to the appropriate law enforcement agency. If criminal activity is not indicated and the parties engage in civil litigation, our investigation materials may be made available to the litigants. A highly publicized example of how the system works can be found in the 1999 Powerball grand prize of Timothy Schultz, a clerk in an Urbandale convenience store. After Mr. Schultz made his claim but before the prize was paid, an underage co-worker came forward and claimed a share of the prize. The lottery investigated the claim and involved the Attorney General's Office. The co-worker filed a lawsuit. The results of the investigation were made available to the parties (since it was determined not to be a criminal matter), who then reached a settlement agreement, ending the litigation. When, as in the Schultz case, there is no evidence of misfeasance or malfeasance, our role ends at this step. When an investigation indicates retailer impropriety, we refer the case to a law enforcement agency and initiate an assessment of the retailer's licensing status for imposition of sanctions, if appropriate.

7. Again, your hypothetical is unclear and confusing since it does not address how the clerk came into possession of the ticket. However, any issues relating to security or matters of impropriety are referred to the lottery's security department, where 100 percent of referrals are investigated and when appropriate, referred to law enforcement. Any dispute over ownership of a ticket is investigated by the lottery. If evidence of criminal activity in connection with a transaction is found, it is referred to the appropriate law enforcement agency. If no criminal activity is indicated and the parties engage in civil litigation, our investigation materials are available to the litigants.

For example, when the lottery receives a call from a player concerned that a store clerk may have stolen his or her winnings on a lotto ticket, the store's activity is reviewed. That review can determine whether such a ticket existed, and if so, the exact ticket in question. The review can reveal when the ticket was validated along with the place, time and date that the ticket was sold and the plays on the ticket.

8. Any issues relating to security or matters of impropriety are referred to the lottery's security department, where 100 percent of referrals are investigated and when appropriate, referred to law enforcement. Any dispute over ownership of a ticket is investigated by the lottery. If evidence of criminal activity in connection with a transaction is found, it is referred to the appropriate law enforcement agency. If no criminal activity is indicated and the parties engage in civil litigation, our investigation materials are available to the litigants.

9. You appear to have taken out of context written comments produced at least 10 years ago. The point we were trying to make at that time and that is still the case today is that customers should not rely solely on any one source of information to determine the winning or nonwinning status of lottery tickets. There can be malfunctions with individual terminals just as there can be malfunctions with any electrical or mechanical device in existence. There also can be malfunctions with the "check-a-ticket" devices you pointed out. Additionally, the media that reports lottery numbers as a service to their readers, viewers, and listeners can sometimes report incorrect information, a situation over which the lottery has no control as we do not control the media. One cannot demand perfection in an imperfect world, but one can strive for and demand a system and process that function extremely well, as is the case with the Iowa Lottery. Players have a wide array of sources available for information about lottery tickets including the lottery Web site, winning numbers reports from lottery terminals, game brochures, play slips, winning numbers lines and media reports – as well as the scanning of tickets through a lottery terminal. Employing more than one of those sources of information can give more assurance to players that they have determined the true status of their tickets.

10. No.

11. The Iowa Lottery regularly tests the output of random number generator software in the terminals to ensure that it is functioning as designed. In addition, the software itself contains safeguards to ensure that each time a terminal is signed on to begin transactions, it receives a new "seed" to feed into the random number algorithm. Having said that, one must remember that randomization by its nature can and will produce duplicate number combinations. To prevent a terminal from issuing duplicate plays would be to prevent random selection.

12. The Iowa Lottery places the stickers on sales terminals, vending machines, and/or play stations on an ongoing basis. From 1999 to the present, the lottery has ordered and received thousands of such stickers (which are either red or yellow) seven times, including in February and October of this year, to ensure an ongoing supply. Stickers can occasionally come off the equipment onto which they were affixed and if that happens, lottery employees replace them. Our most recent version of the stickers is composed of what we hope will be a more durable material and adhesive to achieve greater economy and a longer life. Each year, the lottery audits its vending machines for placement issues. One of the items that is checked in those audits is the placement of the stickers. The lottery also provides information from the stickers on its brochures and play slips, on its Web site and in news releases it distributes regarding lottery matters.

13. Regarding 99G.34(3), an SAS 70 audit of the lottery's computerized sales and validations system is performed each year by an outside auditing firm under contract with Office of the Auditor of State. Every two years, the Multi-State Lottery Association performs a review of the lottery's computer system and associated controls to ensure that they meet the security and integrity standards for participation in multi-jurisdictional games. In addition, every six months the lottery must conduct a self-audit of its computer system and associated controls to ensure that they meet the standards.

Regarding 99G.34(4), investigatory records of the Iowa Lottery are not audited but those that are referred to law enforcement and prosecutors are reviewed by those outside entities as part of their investigatory and judicial processes and repeatedly have led to convictions through the years.

14. There have been numerous instances in which Iowa Lottery security has referred cases involving suspected violations of Iowa Code Chapter 99G to the appropriate law enforcement or prosecutorial agency. The filing of charges and prosecution of cases is conducted by authorities outside of the Iowa Lottery. Compliments from law enforcement agencies and prosecutors to lottery security are quite common. For example, a county attorney sent a letter of appreciation in September 2006 to a lottery security officer who had assisted the Davenport Police Department with a case involving stolen lottery tickets. The lottery was able to provide information that led to the apprehension of a man who had an extensive criminal record and was wanted in Illinois. Scott County Attorney William Davis said in his letter to the lottery: "Without your assistance and cooperation, we could not have secured a conviction."

15. The language you noted in bold provides an exception to the other language to allow the Iowa Lottery to participate in multi-jurisdictional lottery games under the auspices of an organization such as the Multi-State Lottery Association, which administers several games on behalf of its member lotteries. Those games include Powerball and Hot Lotto. The CEOs of the member lotteries in the games serve on the Board of Directors of the Multi-State Lottery Association and the boards of its associated game groups.

16. It uses a hardware random number generator.

Although it is not a numbered request, in your Oct. 5 memo and your Oct. 22 letter, you referenced a 2002 situation at the Kansas Lottery. We question the information as you have presented it. We are especially concerned about your characterization of there being an "intense scrutiny" of the Kansas Lottery at that time. We do not believe that is an accurate portrayal of the circumstance. We fear that your office is choosing deliberately inflammatory language in an attempt to justify an erroneous, preconceived conclusion.

In 2002, a Kansas Lottery player took a lotto ticket into a retail store, where the clerk told him that he had a winning ticket and paid him what allegedly was a prize of a few hundred dollars. The player later thought that he may have won a \$250,000 prize in the lotto game. He contacted the security department at the Kansas Lottery immediately. The store clerk later took the winning ticket in question to the Kansas Lottery to try to validate it. Lottery security intercepted and questioned the clerk, who confessed to taking the ticket from the customer.

Kansas lawmakers asked the executive director of that state's lottery about the matter and concluded that the standards and practices of the lottery were appropriate and in fact, did lead to an apprehension in the case. That is quite a different situation than the description you gave.

The Iowa Lottery monitored the Kansas activities at the time and was well aware of the details of that incident. Like the Kansas Lottery, the Iowa Lottery has security and integrity standards in place to ensure investigation of consumer concerns. The Iowa Lottery, like the Kansas Lottery, has taken repeated steps through the years to provide consumer security reminders to its players. Those efforts have included but are not limited to, stickers being placed on lottery equipment in the field; information included in lottery brochures; information posted to the lottery Web site; and information included in news releases distributed by the lottery.

Any dispute over ownership of a ticket is investigated by the Iowa Lottery. If evidence of criminal activity in connection with a transaction is found, it is referred to the appropriate law enforcement agency. If criminal activity is not indicated and the parties engage in civil litigation, our investigation materials may be made available to the litigants.

Any issues relating to security or matters of impropriety are referred to the lottery's security department, where 100 percent of referrals are investigated and when appropriate, referred to law enforcement.

Iowa Lottery
Unclaimed Online Prizes

| FY | Total | Powerball Only | % of PB to Total |
|-------|-----------|----------------|------------------|
| 2007 | 1,784,482 | 1,408,326 | 78.92% |
| 2006 | 1,173,666 | 876,078 | 74.64% |
| 2005 | 1,544,590 | 1,288,285 | 83.41% |
| 2004 | 1,617,376 | 1,264,891 | 78.21% |
| 2003 | 1,575,411 | 1,395,140 | 88.56% |
| Total | 7,695,525 | 6,232,720 | 80.99% |



David J. Calabro, Ph.D.
Senior Vice President
GTECH Corporation

55 Technology Way
West Greenwich, Rhode Island
02817 USA
Telephone 401 392-7200
Fax 401 392-4930

October 20, 2000

Dr. Edward Stanek
Iowa Lottery
Commissioner
2015 Grand Avenue
Des Moines, IA

Dear Dr. Stanek,

Please accept this letter, as written confirmation from GTECH that the software issue identified in the U.K. did not affect the Iowa Lottery system at any time.

Dehe Cui, who is a Senior Software Embedded Engineer at our Corporate Headquarters and who is very familiar with this malfunction, has performed a detailed analysis of terminal code modules, to determine if the UK malfunction was present. The terminal types reviewed by Dehe Cui included the Tiffany 68000 terminals, based on the Motorola processor, which use a routine called TKT0, and which is the terminal in use in Iowa.

Dehe Cui concluded, and confirmed through code reviews, that the terminals used in Iowa were never susceptible to this problem.

I hope that this response adequately addresses your questions. If you have any further questions regarding this issue, please feel free to contact me.

Sincerely,

David J. Calabro

Iowa Lottery Authority Security Investigations for 2006 in response to Item number 6, page number 4.

1. Customer complaint of under age play. Case was investigated and was unfounded. Case # 06-004.
2. Internal employee theft of online games. Case investigated with charges of 99G.36 filed. Case # 06-046.
3. Internal employee theft of Instant Scratch tickets. Case investigated with charges of 99G.36 filed. Case # 06-051.
4. Touchplay pay-out problem. Case investigated and handled internally with store manager. Case # 06-053.
5. Internal employee theft of Instant Scratch tickets. Case investigated with charges of 99G.36 filed. Case # 06-055.
6. Illegal phone cards. Case investigated and turned over to County Attorney for prosecution. No charges. Case # 06-059.
7. Internal employee theft of Instant Scratch tickets. Case investigated. Retailer book-keeping error discovered. No charges. Case # 06-060.
8. Internal employee theft of Instant Scratch tickets. Case investigated. Victim refused to prosecute employee. Case # 06-062.
9. Illegal pull-tabs. Case investigated and turned over to County Attorney for prosecution. No charges. Case # 06-078.
10. Employee theft of customers Touchplay ticket. Case investigated with a charge 99G.36 filed. Case # 06-085.
11. Employee theft of a customers Instant Scratch ticket. Case investigated and employee charged with 99G.36. Case # 06-095.
12. Internal employee theft of Instant Scratch tickets. Case investigated and charges filed 99G.36. Case # 06-099.
13. Employee tampering with Instant Scratch tickets. Case investigated with a charge of 99G.36. Case # 06-100.
14. Internal employee theft of Instant Scratch tickets. Case investigated with a charge of 99G.36 filed. Case # 06-102.
15. Internal employee theft of Instant Scratch tickets. Case investigated with a charge of 99G.36 filed. Case # 06-108.
16. Internal employee theft of Instant Scratch tickets. Case investigated with a charge of 99G.36 filed. Case # 06-109.
17. Internal employee theft of Instant Scratch tickets. Case investigated. Employee terminated with no charges being filed. Case # 06-110.
18. Internal employee theft of Instant Scratch tickets. Case investigated with a charge of 99G.36 filed. Case # 06-112.
19. Internal employee theft of Instant Scratch tickets. Case was turned over to local Police for follow-up. Case # 06-118.
20. Possible internal employee theft of pull-tab tickets. Case was turned over to local Police for follow-up. Case # 06-122.
21. Internal employee theft of Lottery products. Case investigated and a charge of 99G.36 filed. Case # 06-130.
22. Illegal pull-tabs. Case investigated with property seized. Case # 06-133.

23. Internal employee theft of Instant Scratch tickets. Case investigated and turned over to local Police. Case # 06-140.
24. Internal employee theft of Instant Scratch tickets. Case investigated with a charge of 99G.36 filed. Case # 06-0142.
25. Internal employee theft of Instant Scratch tickets. Case investigated with a charge of 99G.36 filed. Case # 06-145.
26. Internal employee theft of Instant Scratch tickets. Case investigated with one charged of 99G.36 filed and also one charge of selling Instant tickets to a minor filed on the employee. Case # 06-148.

Iowa Lottery Authority Security Investigations for 2007 in response to Item number 6, page number 4

1. Internal employee theft of Instant Scratch tickets, Case was investigated and charges of 99G.36 filed. Case number 07-001.
2. Internal employee theft of Instant Scratch tickets, Case was investigated and charges of 99G.36 filed. Case number 07-003.
3. Internal employee theft of Instant Scratch tickets, Case was investigated and charges of 99G.36 filed. Case number 07-004
4. Internal employee theft of Instant Scratch tickets, Case was investigated and charges of 99G.36 filed. Case number 07-005
5. Internal employee theft of Instant Scratch tickets, Case was turned over to local police department. Case number 07-008.
6. Customer complaint online Powerball ticket, Case investigated, clerk error. Case number 07-010.
7. Illegal phone cards, Case referred to Division of Criminal Investigation, Cards seized, No Charges. Case number 07-014.
8. Illegal phone cards, Case referred to Division of Criminal Investigation, Cards seized, No Charges. Case number 07-018.
9. Customer complaint online Powerball ticket, Case investigated, Ticket non-winner, Case number 07-024.
10. Customer complaint Instant Scratch Ticket, Case investigated, Ticket paid, Case number 07-026.
11. Customer complaint Hot Lotto scam letter, Case investigated, referred to Massachusetts Attorney Generals office. Case number 07-027.
12. Internal employee theft of Instant Scratch tickets, Case investigated and charges of 99G.36 filed. Case number 07-025
13. Internal employee theft of Instant Scratch tickets, Case investigated and turned over to local police department. Case number 07-028.
14. Customer complaint Instant Scratch ticket, Case investigated, clerk error. Case number 07-030
15. Pull-Tab investigation, Iowa lottery and Indian gaming ticket look alike, Case investigated and unfounded. Case number 07-031
16. Customer complaint Online Hot Lotto, Customer thought he was overpaid. Case was investigated and found customer was correctly paid. Case number 07-033.
17. Customer complaint Online Powerball ticket, Customer thought he was overpaid. Case was investigated and found customer was paid the correct amount. Case number 07-034.
18. Internal employee theft Instant Scratch tickets, Case investigated, store manager handled case, no charges filed. Case number 07-035.
19. Customer complaint Online Powerball ticket, Case investigated, unfounded. Case number 07-036.
20. Customer complaint Instant Scratch tickets, Case investigated, ITVM problem, Case number 07-039.
21. Customer complaint Online Powerball ticket, Case investigated, unfounded. Case number 07-040.

22. Customer complaint Online Powerball ticket, Case investigated, found store clerk error. Customer taken care of by store. Case number 07-041.
23. Under age play Instant scratch tickets, Case investigated, unfounded, Case number 07-045.
24. Customer complaint Online Powerball tickets, Case investigated, Clerk error, Case number 07-050.
25. Customer complaint Online Hot Lotto ticket, Case investigated, Clerk error, Case number 07-051.
26. Customer complaint Online 100,000 dollar cash game ticket, Case investigated, Clerk error. Case number 07-052.
27. Customer complaint Pocket Poker ticket, Case investigated, Ticket would not operate correctly, paid prize amount, Case Number 07-054.
28. Internal employee theft Instant Scratch tickets, Case investigated and charges of 99G.36 filed. Case number 07-055.
29. Customer complaint Instant Scratch ticket, Case investigated, Clerk error, Case number 07-057.
30. Customer complaint Online Powerball ticket, Case investigated, unfounded. Case number 07-058.
31. Internal employee theft of Online tickets, Case investigated, Charges of 99.G36 filed. Case number 07-059.
32. Customer complaint Instant Scratch tickets, Case investigated, Unfounded, Case number 07-061.
33. Customer complaint Online Powerball ticket, Case investigated, Clerk error, Case number 07-063.
34. Internal employee theft Instant Scratch tickets, Case investigated, Charges of 99G36 filed. Case number 07-067.
35. Customer Complaint Underage Play, Case investigated by Lottery and Knoxville PD. Unfounded, Case number 07-075.
36. Altered Pull-Tab ticket, Case investigated, Charges of 99G.36 filed. Case number 07-076.
37. Internal employee theft Pull-Tab tickets, Case investigated, No Charges. Case number 07-077.
38. Internal employee theft Instant tickets, Case investigated, Charges of 99G.36 filed. Case number 07-079.
39. Customer complaint Instant Scratch tickets, Case investigated, Unfounded. Case number 07-081.
40. Customer complaint Instant Scratch ticket, Case investigated, Clerk error, Case number 07-083.
41. Customer complaint ITVM, Case investigated, Unfounded. Case Number 07-084.
42. Internal theft Instant Scratch tickets, Case investigated, Charges of 99G.36 filed. Case number 07-085.
43. Lottery scam email, Case investigated, referred to Iowa Attorney General's Office. Case number 07-088.
44. Internal employee theft Instant Scratch tickets, Case investigated, Charges of 99G.36 filed. Case number 07-089.
45. Internal employee theft Instant Scratch tickets, Case investigated, Charges of 99G.36 filed. Case number 07-090.

46. Customer complaint Credit Card. Case investigated and resolved. Case number 07-094.
47. Internal employee theft Instant Scratch tickets, Case investigated, Charges of 99G.36 filed. Case number 07-095.
48. Internal employee theft Instant tickets, Case investigated, Charges of 99G.36 filed. Case number 07-097.
49. Customer complaint Hot Lotto, Case investigated, Case resolved. Case number 07-105.
50. Internal employee theft of Instant Scratch tickets, Case investigated, No charges. Case number 07-107.
51. Customer complaint ITVM. Case investigated, Case resolved. Case number 07-108.
52. Customer complaint Possible Lottery Terminal malfunction, Case investigated and was unfounded. Case number 07-109.
53. Customer complaint Possible Lottery Terminal malfunction, Case investigated found out terminal was down on 07/27/07. Case number 07-113.
54. Internal theft of Pull-Tab tickets, Case is under investigation. Case number 07-114.



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Chester J. Culver • Governor
Patty Judge • Lt. Governor

Edward J. Stanek, Ph.D. • Chief Executive Officer

We are pleased that you are interested in becoming a licensed Iowa Lottery retailer!

Being a licensed Iowa Lottery retailer involves a background credit check. To help us do this, it is necessary for you to complete several forms. All of the forms are included in this packet.

In the packet, you will find:

- Instructions on how to complete the forms
- Application form
- W-9 tax form
- Personal Data form
- Licensing Terms and Conditions to which you must agree in order to be a licensed Iowa Lottery retailer
- Terminal Specification Sheet

After you have submitted this information along with your non-refundable \$25 licensing fee, your application will be reviewed. Once you have been approved to become a Lottery retailer, a Lottery representative will contact you and determine the kinds of Lottery products you should sell and where Lottery equipment will be placed.

Please read the instructions carefully. If you have any questions, please call us at 515-725-7900. Thank you!

Sincerely,

Harry Braafhart
Vice President of Security



IOWA LOTTERY RETAILER LICENSE APPLICATION

2323 Grand Avenue, Des Moines, IA 50312-5307

You must submit a **NON-REFUNDABLE \$25 processing fee** with this application.

READ APPLICANT INSTRUCTIONS BEFORE COMPLETING APPLICATION

FOR LOTTERY USE ONLY

RID# _____
☐ Extr. ☐ 2000 ☐ 3000
Check # _____
Amount _____
DSR# _____
SIC _____

Do you have other Iowa Lottery-licensed retail outlets? ☐ Yes ☐ No Retailer #: _____

OWNER INFORMATION

Owner name: _____ Tax ID #: _____ Is this a: ☐ Fed. ID# or ☐ Soc. Sec.#?

Please use registered owner name and Tax ID# and complete the enclosed Form W-9 with identical information.

Owner's street address: _____ City: _____

County: _____ State: _____ Zip: _____

Owner's mailing address: _____ City: _____

County: _____ State: _____ Zip: _____

Phone #: _____ E-mail: _____

Indicate type of business organization (check one): ☐ Sole proprietorship ☐ Partnership** ☐ Gov't ☐ Trust ☐ Corporation for profit*

☐ Non-profit corporation ☐ LLC ☐ Fraternal/Other: _____ *If corporation, state of incorporation: _____

Specify type of business activity: _____ **If partnership, what type? ☐ Limited ☐ General

Identify the owner(s), directors, shareholders who own at least 10%, or trustees of your business. Attach additional sheets if needed.

Submit a PERSONAL DATA FORM for each person listed.

1. _____ 2. _____ 3. _____ 4. _____

STORE INFORMATION

Store name: _____ Store #: _____ Store phone #: _____

Store street address: _____ City: _____ County: _____ Zip: _____

Store mailing address: _____ City: _____ County: _____ Zip: _____

Sales tax #: _____ If this is a new store, when will the store open? _____

If this is a store that is being remodeled, when will the store reopen? _____

Who will be the contact person(s) for: _____

Installation: _____ Phone #: () _____

Training: _____ Phone #: () _____

Permanent contact: _____ Phone #: () _____

SECURITY

Has the business entity/organization ever been convicted of a felony, fraud or had a revoked or suspended lottery license in Iowa or other jurisdiction? ☐ Yes ☐ No **If yes, by law you cannot be an Iowa Lottery retailer.**

Has this business entity/organization or prior listed individuals ever held or applied for or presently hold a lottery license in Iowa or any other state? ☐ Yes ☐ No If yes, indicate ID # & state: _____ Date & location of last application/license: _____

Gambling license? ☐ Yes ☐ No If yes, license #: _____ Liquor license? ☐ Yes ☐ No If yes, license #: _____

Has the business entity/organization ever...

• Been sued, had outstanding claims or judgments? ☐ Yes ☐ No • Been investigated by a state or federal agency? ☐ Yes ☐ No

• Filed for bankruptcy in Iowa or the U.S.? ☐ Yes ☐ No • Received a significant insurance payment? ☐ Yes ☐ No

If any of the above questions are answered "Yes," please attach a separate sheet with details.

ACCOUNTING STATEMENTS & BANKING

If this owner has multiple locations, do you want the statement for this location combined with others? ☐ Yes ☐ No ☐ N/A

Complete bank account which you are authorizing the lottery to initiate DEBIT/CREDIT entries:

Name: _____

**Please attach void check
(if checking account).**

Bank address: _____

Transit Routing # ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Bank phone #: () _____

Is this a: ☐ checking account or ☐ savings account?

Account # ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

I/We hereby authorize the IOWA LOTTERY, hereinafter called LOTTERY, to initiate debit and/or credit entries to my/our checking or savings account indicated above, and the depository named above, hereinafter called DEPOSITORY, to debit/credit the same to such account. This authority is to remain in full force and effect until LOTTERY and DEPOSITORY have received written notification from me/us of its termination in such time and in such manner as to afford LOTTERY and DEPOSITORY a reasonable time to act upon it. **PRIVACY ACT NOTICE (5 USC 552a):** Disclosure of your Social Security Number on this form is mandatory. It is authorized by 42 USC 405(c)(2)(C)(i), 28 USC 6041, and Iowa Code Sections 99G.31, 252J.8(1), and 421.17(21). The Lottery collects this information to accurately process tax information and to cross-check various sets of programs required by state and federal law.

I certify that the information provided on this application is true and correct to the best of my knowledge. I agree that if a lottery license is issued to me that I will be bound by the License Terms and Conditions which were included with this application package and by all laws and rules applicable to the sale of lottery products. I authorize the lottery to investigate any matter related to this application. I waive any cause of action which I might have against any person or agency arising in connection with the release of information to the lottery or to others working on behalf of the lottery.

I agree to comply with the License Terms and Conditions.

Applicant/Authorized Agent of Business Organization



LICENSE APPLICATION INSTRUCTIONS

The Retailer Application Kit contains several important forms:

- (1) Retailer License Application
- (2) W-9 Request for Taxpayer Identification Number and Certification
- (3) Personal Data form

An owner with multiple store locations must fill out a Retailer License Application for each location.

Also included is a copy of the Licensing Terms and Conditions which should be read and understood. By signing the Retailer License Application, the applicant certifies that they read, understand, and agree to comply with the terms of the Licensing Terms and Conditions.

RETAILER LICENSE APPLICATION

Owner Information: Complete this section with information about the person(s) or entity that owns the business, for example:

- Sole Proprietorship – List the owners name (i.e. John Doe)
- Partnership – List the partnership name (i.e. John Doe and Susan Smith)
- Corporation (for profit or non-profit) – List the name of the corporation (i.e. Doe and Smith, Inc)
- LLC – List the name of the LLC (i.e. Doe and Smith, LLC)
- Fraternal – List the name of the organization

The address listed in the owner information section should be the one central address for all locations the owner owns. Identify all individuals involved with the business entity. For corporations, identify each officer and director (including parent company if a subsidiary). Also identify each shareholder except if publicly owned. If publicly owned, identify each shareholder who owns 10% or more. For a LLC, identify each member of the LLC.

Store Information: Complete this section with information about the specific store location. Store number is optional and is used if there are multiple locations and a number is used to identify each location (i.e. John's Grocery #58). Store contact person(s) – please list the contact person and phone number for the various aspects of the terminal set-up process and the person to be contacted on an on-going permanent basis after store opening.

Security: Please read and answer questions listed on the application form.

Accounting Statements and Banking: A statement is available weekly that summarizes all activity for the week by day. For multiple locations, a combined statement for all locations is available.

Complete the banking information with the account to be debited/credited on a weekly basis for your Lottery activity. Please include a void check if using a checking account.

Note: Please keep the gold copy of the Retailer License Application Forms for your use.

W-9 REQUEST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION

Information entered on this form should be identical to the information entered in the Owner Information section of the Retailer License Application. The taxpayer identification number (TIN) for sole proprietors should be your social security number. For other entities it should be your employer identification number.

Form must be completed and returned with application. Application will not be processed until form is received. If you have applied for a TIN but are waiting for a number to be issued, you must still sign and return the form and then provide us with another form when your TIN is issued.

PERSONAL DATA FORMS

Complete a Personal Data Form for each individual listed in the Owner Information section of the Retailer License Application form.

Owner Information: Complete with the same owner name listed in Owner Information of the Retailer License Application.

Individual Information: Complete with the personal information for the individual and spouse of the person completing the form.

Additional Information About You: Complete the information pertaining to your relationship to the business entity. Answer all other questions.

Disclosure Statement: Read and then print and sign your name.

NOTE: If additional copies of the Personal Data Form are required, you may copy the form.

MULTIPLE LOCATIONS

An owner with two or more locations must submit a Retailer License Application form for each location. The Personal Data Form may be completed once if prior application was within the past 6 months and no changes have occurred.

LICENSING TERMS AND CONDITIONS

Each applicant should read, understand, and agree to comply with the Licensing Terms and Conditions enclosed. Signing the Retailer Application Form certifies the above.

PROCESSING FEE

The processing fee for licensing is \$25.00 per license application. The fee covers the cost of processing your application and doing a background check. Payment must be made by check, cash or money order only and is **not** refundable.

PROCESSING STATUS

We will attempt to process your application as quickly as possible. After four weeks, you may check the status of your application by calling the Iowa Lottery.



IOWA LOTTERY RETAILER LICENSE PERSONAL DATA FORM

PLEASE
PRINT
OR TYPE

- **NOTE: SUBMIT PERSONAL DATA FORM FOR EACH INDIVIDUAL LISTED IN "OWNER INFORMATION" ON RETAILER LICENSE APPLICATION**
- **READ APPLICANT INSTRUCTIONS BEFORE COMPLETING PERSONAL DATA FORM AND ATTACH ADDITIONAL SHEETS IF NEEDED**
- **THIS FORM CAN BE COPIED**

OWNER INFORMATION

(Copy from Retailer License Application)

Owner name: _____ Phone #: _____
Street address: _____ City: _____ State: _____ Zip code: _____
Mailing address: _____ City: _____ State: _____ Zip code: _____

INDIVIDUAL INFORMATION

Your full name: _____ Maiden name, nickname, etc.: _____
Home address: _____ City: _____ State: _____ Zip code: _____
Date of birth: _____ Soc. Security #: _____ Home phone #: _____
Driver's license # (if different than SS #): _____ State issued: _____
Your spouse's name: _____ Spouse's Soc. Security #: _____

ADDITIONAL INFORMATION ABOUT YOU

Your relationship to the business entity/organization (check one):

- ☐ Owner ☐ Limited partner ☐ General partner ☐ Member of LLC ☐ Officer/director ☐ Shareholder of corp. (10% or more)
☐ Other: _____ If partnership or LLC, what % owned: _____ If shareholder, what % held: _____

Have you ever...

- Been convicted of a felony, fraud or had a revoked or suspended lottery license in Iowa or another state? ☐ Yes ☐ No
- Been sued or have outstanding claims or judgements? ☐ Yes ☐ No
- Filed for bankruptcy in Iowa or the U.S.? ☐ Yes ☐ No
- Sustained a substantial loss with a significant insurance payment? ☐ Yes ☐ No
- Been investigated by a state or federal investigatory agency? ☐ Yes ☐ No

If any of the above questions are answered "Yes," please attach a separate sheet with details.

List all relatives employed by the Iowa Lottery: _____

List two credit references: 1) Name: _____ Phone # _____
2) Name: _____ Phone # _____

List current bank: _____

DISCLOSURE STATEMENT (READ CAREFULLY)

I, the undersigned, do hereby certify that I have not knowingly made a false statement of material fact on this personal data form. I understand that untruthful or misleading answers are cause for denial of the application and/or termination of any lottery license granted. I authorize the Iowa Lottery and/or the Division of Criminal Investigation (D.C.I.) to investigate any or all matters set forth in this personal data form pursuant to the Lottery Act. I understand that further information may be requested of me in regard to this investigation and I waive all rights or causes of action I may have against the Iowa Lottery and/or any other individual or agency disclosing or releasing such information to the Iowa Lottery or the D.C.I. My signature below authorizes a review, full disclosure and release of any and all records concerning myself to any duly authorized officer, agent or employee of the D.C.I., whether the records are of a public, private or confidential nature, including criminal history.

PRIVACY ACT NOTICE (5 USC 552a): Disclosure of your Social Security Number on this form is mandatory. It is authorized by 42 USC 405(c)(2)(C)(i), 26 USC 6041, and Iowa Code Sections 99G.31, 252J.8(i), and 421.17(21). The Lottery collects this information to accurately process tax information and to cross-check various sets of programs required by state and federal law.



**IOWA LOTTERY
2323 GRAND AVENUE
DES MOINES, IOWA 50312-5307**

**LICENSING TERMS AND CONDITIONS
(June 2005)**

The provisions of Iowa Code chapter 99G, 531 Iowa Administrative Code, and any other applicable statutory or regulatory provisions are herein incorporated by reference. If a provision in this document conflicts with an applicable statutory or regulatory provision, the statutory or regulatory provision preempts the conflicting provision in this document. All retailers should familiarize themselves with applicable statutes and regulations.

SECTION A – GENERAL TERMS AND CONDITIONS

- 1. SCOPE.** By accepting an Iowa Lottery license, a retailer agrees to be bound by these terms and conditions. The requirements contained in Section "A" are applicable to all retailers. The requirements in "B" through "E" are applicable only to retailers selling the particular product described in each of these sections.
- 2. AMENDMENTS.** These terms and conditions may be unilaterally amended by the Lottery by providing the retailer with 14 days written notice of amendment.
- 3. EXPIRATION OF LICENSE.** A license is valid until it expires, is terminated by a change of circumstances, is surrendered by the licensee, or until it is revoked by the lottery. A license that does not have an expiration date will continue indefinitely until surrendered, revoked or terminated by a change in circumstances.
- 4. TRANSFER OF LICENSE PROHIBITED.** Lottery licenses may not be transferred to any other person or entity and do not authorize the sale of lottery products at any location other than the licensed premises specified on the license.
- 5. REPORTING CHANGES IN CIRCUMSTANCES OF THE RETAILER.** Every change of business structure of a licensed business, such as from a sole proprietorship to a corporation, and every change in the name of a business must be reported to the lottery prior to the change. Substantial changes in the ownership of a licensed business must also be reported to the lottery prior to the change. A substantial change of ownership is defined as the transfer of 10 percent or more equity in the licensed business from or to another single individual or legal entity. If a change involves the addition or deletion of one or more existing owners or officers, the licensee shall submit a license application reflecting the change and any other documentation the lottery may require. All changes will be reviewed by the lottery to determine if the existing license should be continued. All changes must be reported to the Vice President of Security.
- 6. DISPLAY OF LICENSE.** Except as provided in section "E," retailers shall display the lottery license in an area visible to the general public wherever tickets are being sold. Retailers must immediately report loss or damage to a license to the Vice President of Security.
- 7. LICENSEE DISCIPLINE.** A retailer's license may be revoked, suspended, terminated or limited by the Lottery if a retailer fails to comply with any applicable law or administrative rule, these terms and conditions, or instructions given to the retailer.

- 8. PERSONS AUTHORIZED TO SELL TICKETS.** Lottery tickets may be sold only by a licensed retailer or by employees of the retailer who is authorized to sell lottery tickets. If the retailer is a non-profit organization, members of the organization may also sell lottery tickets if authorized by the organization. The retailer is responsible for the conduct of its employees and members, which is within the scope of the retailer's lottery license.
- 9. PURCHASERS MUST BE 21.** Tickets shall not be sold to persons under the age of 21.
- 10. METHOD OF SALE.** Tickets shall be sold in person, across the counter or through approved vending machines; tickets SHALL NOT be sold over the telephone, through the mail or on the Internet.
- 11. CREDIT PROHIBITED.** Tickets shall not be sold to players on credit card charge, or any other form of credit.
- 12. PRICE.** Tickets shall be sold at the price designated by the lottery. Retailers shall not sell tickets for a greater amount than the amount specified by the lottery. Retailers may sell tickets for a lesser amount for promotion purposes if authorized by the lottery.
- 13. DEFECTIVE TICKETS.** Tickets that are erroneous or mutilated when received by a retailer may be immediately returned to the lottery for credit. After confirmation of delivery, the retailer is responsible for the condition and security of the tickets and for any losses resulting from tickets that become lost, stolen, or damaged.
- 14. TIME OF SALES.** Scratch/instant, on-line games, pull-tab tickets, and tickets sold through monitor vending machines shall be sold during all regular business hours whenever the Lottery computer system is operational.
- 15. CLAIMS SERVICE.** Retailers must provide claims services during all regular business hours whenever the Lottery's computer system is operational. Retailers shall provide claim forms to players for prizes, which must be claimed from the Lottery. Prizes in excess of \$600, disputed prizes, and other prizes, which may be specified by the Lottery, must be claimed at a Regional Lottery Office or Lottery Headquarters.
- 16. SALES REQUIREMENTS.** The Lottery may specify minimum sales quotas, which must be met by retailers. Sales quotas will be provided to the retailer in writing. Retailers may be required to sell all lottery products as a condition of obtaining a license to sell a specific product.
- 17. SALES INSTRUCTIONS.** Retailers shall comply with all Lottery instructions regarding ticket sales and related topics. If required by the Lottery, these instructions shall be maintained in the retailer manual. Sales shall be made in a knowledgeable, courteous and responsible manner. Retailers and employees may be required to attend training sessions.
- 18. SALES TO DISABLED.** Retailers must make reasonable accommodations to assist disabled players in compliance with state and federal law.
- 19. COMPLIANCE WITH LAWS AND RULES.** Retailers shall comply with all applicable federal, state and local laws and rules when acting pursuant to a Lottery license. These laws and rules include, without limitation, laws prohibiting discrimination in employment, the Lottery's enabling legislation, the administrative rules and specific game rules of the Lottery, and laws prohibiting the sale of gambling products.
- 20. RETAILER COMPENSATION.** The lottery, with board approval, shall set the base amount of retailer compensation. The base amount of compensation shall be specified in the agreement between the retailer and the lottery. The lottery may increase the total amount of retailer compensation by implementing sales incentive programs.

- 21. PAYMENT TO LOTTERY.** Retailers are required to pay for lottery tickets or shares by means of an electronic funds transfer from the retailer's account. The lottery may allow a retailer to make payments by another method if the retailer can show that the electronic funds transfer system imposes a significant hardship on the retailer or if the lottery determines that the retailer's payment history justifies use of an alternative payment method. Any payment made to the lottery by an applicant for a license or by a licensed retailer either by a check which is dishonored or by an electronic funds transfer (EFT) which is not paid by the depository shall be grounds for immediate denial of the application for a license or for the suspension or revocation of an existing license. The lottery may assess a surcharge and interest up to the maximum allowed by applicable state law for each dishonored check or EFT. The lottery may also alter the payment terms or a retailer's license and require a retailer to reimburse the lottery for costs, including but not limited to attorney fees and court costs, which occur as a result of a dishonored check or EFT. The venue for any legal action will be Polk County, Iowa.
- 22. INDEMNIFICATION OF LOTTERY.** The retailer and its successors and assignees shall defend, protect, indemnify and hold harmless the Lottery, the State of Iowa, and all employees thereof from and against all claims, liabilities, damages, expenses or actions arising from any act or omission, including willful or negligent acts or omissions, of the retailer or the retailer's employees or agents while performing under the authority of a Lottery license.
- 23. INSPECTION OF PREMISES.** Retailers shall allow the lottery to enter upon the licensed premises in order to inspect lottery materials, MVM placement, tickets and the premises. The Lottery reserves the right to approve all MVM placements, to require that an MVM be moved to a different location within the same MVM premises if the current location of the MVM is unacceptable, and to deactivate an MVM until such time as it is relocated to an acceptable location.
- 24. RECORDS MAINTAINED BY RETAILER.** All books and records pertaining to the retailer's lottery activities shall be available to the lottery for inspection and copying during the normal business hours of the retailer and between 8 a.m. and 5 p.m., Monday through Friday. All books and records pertaining to the retailer's lottery activities are subject to seizure by the lottery without prior notice. The Lottery or the Auditor of the State of Iowa may audit such records at any time at no cost to the Lottery.
- 25. IDENTIFICATION OF WINNING TICKETS.** Retailers shall not attempt to identify winning tickets until a ticket is presented for validation by a player.
- 26. SECURITY ISSUES.** Retailers shall cooperate fully with the Lottery in the investigation of any missing, lost, or stolen tickets. Retailers shall immediately notify the Vice President of Security, if tickets or Lottery property are stolen, lost, or damaged or if the retailer, an owner of the retailer's business, an officer or employee of the business, the business, or an agent of the business is convicted of a felony or gambling related offense.
- 27. TITLE TO TICKETS.** Except as provided in section "E," title to tickets and risk of loss passes to the retailer at the time of delivery. The Lottery is not responsible for lost, damaged or stolen tickets after delivery.
- 28. TITLE TO PROPERTY.** Unless otherwise indicated by the Lottery in writing, all property furnished to the retailer to facilitate the sale of tickets is owned by the Lottery or a Lottery contractor. Any such property shall be returned upon request. Such property may be used only in conjunction with ticket sales. Retailers are responsible for all damages to such property beyond reasonable wear and tear.
- 29. VENDING MACHINES.** Vending machines must be placed in a Lottery-approved, high-traffic area that is easily monitored by the retailer for security and age-compliance purposes. Retailers must keep machines fully stocked and in working order during all business hours. Retailers are required to perform minor preventive maintenance. If a machine malfunctions, the retailer must call for service using the designated

toll-free number. This subsection does not apply to retailers whose only lottery product is a monitor vending machine(s).

- 30. VALIDATION DEVICES.** Retailers who do not have an on-line game terminal are required to have a ticket validation device. Validation devices will be provided at no cost to retailers. Retailers are required to provide one electrical outlet and a telephone line to support the validation device. See the Terminal Specification Sheet for specific information regarding these requirements. The retailer is responsible for the cost of these requirements except as described on the Terminal Specification Sheet. This subsection does not apply to retailers whose only lottery product is a monitor vending machine(s).
- 31. TICKET DISPENSERS.** Retailers will display tickets only in ticket dispensers or containers approved by the Lottery.
- 32. DISPLAY OF ADVERTISING MATERIALS.** Retailer shall display a door decal and brochures, flyers, or similar items provided by the lottery, which are designed to provide information regarding Lottery games near the point at which tickets are sold. Retailers shall display point-of-sale material provided by the Lottery in a manner that is readily seen by and available to the public. Retailers may advertise and use or display other appropriate promotional and point-of-sale material. The Lottery may require the removal of objectionable material or the discontinuance of objectionable advertising that may have an adverse impact on the lottery. This subsection does not apply to retailers whose only Lottery product is a monitor vending machine(s).

SECTION B – INSTANT/SCRATCH GAMES

- 1. INSTANT GAMES DEFINED.** Instant games include scratch tickets that have a rub-off covering which is removed to identify winning tickets and electronic game cards that have a play button which is pressed to reveal plays and any prize won.
- 2. RETAILER COMPENSATION.** Retailers shall receive a 5.5% sales commission on the sale price of all tickets sold by the retailer. If a retailer is eligible for the Gold Star Program, they will earn 7% sales commission on the sale price of all tickets sold. The Lottery reserves the right to make the final determination of Gold Star Program eligibility.
- 3. SALES REMITTANCE.** Packs of tickets shall be sold to retailers at the purchase price. The default method for the Lottery to charge retailers for tickets sold is when 70% of guaranteed prizes from the pack have been paid, or 45 days following delivery, whichever is earlier, unless the lottery and the retailer have agreed to other terms – paid upon delivery, for example. Retailers will be credited for sales commissions. Settlement will occur weekly on a net basis as of the close of business on Saturday. Payment will be transferred to the Lottery by electronic funds transfer each week on the day specified by the Lottery.
- 4. CLAIMS SERVICE.** Retailers must pay all prizes of \$25 or less and may pay prizes of \$600 or less. Payment shall be made in cash or by the retailer's check. Payment must be made regardless of where the ticket was purchased. Retailers shall obtain and mutilate each ticket paid to prevent double payment. The Lottery will reimburse the retailer for all valid prize claims paid.
- 5. UNSOLD TICKETS.** The Lottery may allow partial or full credit for returned tickets as part of a special promotion or specific game. If credit will not be given, the Lottery will specifically notify retailers of this restriction.

SECTION C – ON-LINE GAMES

- 1. DEFINED.** On-line games are computerized games that are played through terminals linked to the Lottery's computer system.

2. **RETAILER COMPENSATION.** Retailers shall receive a sales commission of 5.5% of the sale price of all tickets sold. A sliding scale compensation plan will give retailers opportunities to earn further commission if they exceed sales over their sales base. The Lottery will compute the retailer's sales base annually. The sales base will be determined from the preceding bi-annual sales activity. The Lottery reserves the right to make the final determination for eligibility and commission received in the sliding scale compensation plan.
3. **SALES REMITTANCE.** Retailers shall remit the proceeds from the sale of tickets along with the weekly service charge. Retailers will be credited for sales commissions. Settlement will be made weekly on a net basis and will be computed as of the close of business on Saturday. Payment will be made by electronic funds transfer on the day specified by the Lottery.
4. **CLAIMS SERVICE.** Retailers must pay all prizes of \$25 or less and may pay prizes of \$600 or less. Payment shall be made in cash or by the retailer's check. Payment must be made regardless of where the ticket was purchased. The Lottery will reimburse the retailer for all valid prize claims paid.
5. **METHODS OF PLAY.** Plays may be entered manually using the keypad or touch screen or by means of a preprinted playslip provided by the Lottery. Facsimiles of playslips or other materials, which are not provided by the Lottery, shall not be used. Plays must be marked on the playslip by hand; machine printed playslips shall not be used. The retailer shall not allow any device to be connected to a terminal to enter plays, except as may be approved by the Lottery. Unapproved playslips or other devices may be seized by the Lottery.
6. **METHOD OF SALE.** All offers to buy and to sell on-line game tickets shall be made only at the terminal and only by methods authorized by the Lottery. The retailer shall not enter into any special agreements with players to facilitate the purchase of large quantities in a manner outside the normal method of play. A retailer shall not directly and knowingly sell a ticket or combination of tickets to any person or entity, which would guarantee such a purchaser a Jackpot Prize win.
7. **TERMINAL LOCATION.** The terminal must be in a location approved by the Lottery. The retailer may not move a terminal without the consent of the Lottery or reduce the space allotted to the terminal.
8. **TERMINAL OPERATION.** Retailers shall operate terminals in a responsible manner and shall immediately notify the Retailer Hotline (800-858-4744) of any out-of-order condition in the phone line or terminal. Retailers shall replace paper stock and repair paper jams, but retailers shall not perform any mechanical or electrical work on the terminal.
9. **ELECTRICAL REQUIREMENTS.** Retailers must provide, at their own expense, the electrical requirements as specified in the Terminal Specification Sheet. Retailers must pay all electrical charges associated with running the terminal. Electrical service to the terminal must be provided 24 hours per day.
10. **EXTREMA COMMUNICATION SYSTEM REQUIREMENTS.** The Lottery will install a communication system in the retailer's business establishment for the operation of the terminal. The initial communication system needed for operation of the terminal shall be installed at the Lottery's expense, however, any costs associated with relocation of the system for the retailer's convenience shall be paid by the retailer. The Lottery will pay all communication charges associated with operation of the Extrema terminal.
11. **WEEKLY SERVICE CHARGE.** Retailers are required to pay a weekly service charge as set by the Lottery.
12. **DISPLAY OF WINNING NUMBERS.** As soon as possible following each drawing, retailers shall prominently display the winning numbers.

- 13. DISPLAY OF ADVERTISING MATERIALS.** Retailers are required to display advertising materials. For on-line games, at a minimum the retailer will display how-to-play brochures and play slips for each game in addition to the items listed in Section A – General Terms and Conditions item 32.
- 14. REPORTS.** The Lottery may require retailers to maintain and deliver to the Lottery any transaction or report produced by the terminal.
- 15. MISPRINTED TICKETS.** A retailer may receive credit for misprinted tickets, provided that the retailer notifies the hotline **immediately** at the time of the misprint. The retailer must call the Retailer Hotline (800-858-4744) to report the misprint in order to receive credit. The retailer **must** keep the ticket through the end of the draw and then give the ticket to the Lottery District Sales Representative.
- 16. TICKETS PRODUCED IN ERROR.** Under some circumstances, a retailer may receive credit for tickets that are produced in error (i.e., clerk error, customer refused). The retailer **must** call the Retailer Hotline (800-858-4744) **immediately** to report any such tickets and apply for credit. If a computerized game offers cancellations, the retailer must make a reasonable effort to cancel tickets produced in error. A ticket will be considered for credit only if the retailer follows all instructions provided by the Retailer Hotline.

SECTION D – PULL-TAB GAMES.

- 1. PULL-TAB TICKETS DEFINED.** Pull-tab tickets are instant lottery tickets that are played by opening tabs to reveal if a prize was won.
- 2. RETAILER COMPENSATION.** Retailers shall receive a sales commission of 5% of the sale price of all tickets sold.
- 3. SALES REMITTANCE.** Pull-tab tickets shall be sold to the retailer at the retail purchase price less the sales commission and the value of the guaranteed low-end prizes in the game. Guaranteed low-end prizes are prizes that uniformly appear in each unit of tickets. Settlement shall be computed weekly as of the close of business on Saturday of the delivery week and shall be transferred to the Lottery by electronic funds transfer on the date specified by the Lottery.
- 4. CLAIMS SERVICE.** All prizes must be claimed only at the place of business of the retailer that sold the ticket. Prizes must be claimed prior to the retailer's first close of business following the sale of the ticket. The winning ticket must be submitted to the retailer to obtain payment of any prize.

SECTION E – MONITOR VENDING MACHINES

- 1. DEFINED.** MVMs are machines, which upon insertion of money, dispense or print and dispense lottery tickets that have been determined to be winning or losing tickets by a predetermined pool-drawing machine prior to the dispensing of the tickets. Each machine shall have a video monitor for display of ticket symbols and audio capabilities to aid in play of a game.
- 2. KEY TERMS**
- a. MVM retailer. A person who possesses an MVM license and who sells Lottery products from one or more Lottery-approved MVMs that are owned or leased by the person and that are located on premises owned or leased by the MVM retailer or by an MVM premises operator.
 - b. MVM premises. A business establishment or other location where one or more MVMs are located or are proposed to be located.
 - c. MVM premises operator. The person who owns the primary business or enterprise conducted at the MVM premises.

- d. **Net revenues.** Funds accepted by the MVM less the amount of tickets issued that are payable on the premises and less a percentage of sales used to fund payment of single-play prizes in excess of \$600 as set forth in the game's prize structure.
3. **RETAILER COMPENSATION.** The Lottery does not establish compensation for MVM retailers or MVM premises operators. Compensation for those parties is subject to negotiation between them.
4. **REMITTANCE.** The Lottery will bill the MVM retailer for the lottery's share and manufacturers' shares of net revenue. Settlement will occur weekly on a net basis as of the close of business on Saturday. Payment will be transferred to the Lottery by electronic funds transfer each week on the day specified by the Lottery.
5. **SERVICE FEE.** The Lottery may impose a service fee on MVM retailers to cover billing costs incurred by the Lottery relating to MVMs.
6. **CLAIMS SERVICE.** Each ticket of \$600 or less must be claimed only at the MVM premises where the ticket was issued. Tickets of \$600 or less must be redeemed prior to the MVM premises operator's first close of business following the issuance of the ticket. Such tickets must be surrendered to the MVM premises operator to obtain payment. Tickets in excess of \$600 must be claimed at a Regional Lottery Office or Lottery Headquarters.
7. **ELECTRICAL REQUIREMENTS.** MVM premises operators must provide, at their own expense, one 110-volt outlet to power the MVM. The MVM premises operator must pay all electrical charges associated with running the MVM. Electrical service to the MVM must be provided 24 hours per day.
8. **COMMUNICATION REQUIREMENTS.** If requested, the MVM premises operator shall provide a phone line to the MVM, however, this does not have to be a dedicated line; it can be used for other calls. The MVM shall communicate with a central computer site once a day. If a suitable connection cannot be established, the MVM shall not be placed or shall be removed from the MVM premises. Any telephone communication will be on a toll-free number, therefore, the MVM premises operator will not incur additional expense beyond the basic cost for the telephone line.
9. **DISPLAY OF LICENSE.** MVM retailers are not required to display their MVM retailer licenses at the MVM premises.
10. **TITLE TO TICKETS.** MVM retailers are only responsible for payment of tickets sold. MVM retailers are responsible for reporting all known stolen tickets to the Lottery as soon as the theft is discovered.
11. **MVM PLACEMENT.** MVMs must be placed in a Lottery-approved area that is easily monitored by the MVM premises operator for security and age-compliance purposes. Unacceptable areas for MVM placement include, but are not limited to: common areas or entryways shared by more than one business or person; areas outside the line of sight and immediate control of MVM premises employees; and areas where access can be gained via an unmonitored entrance. Multiple MVM premises operators will not be allowed to co-locate MVMs under any circumstances. MVMs shall not be located within 15 feet of an amusement device described in Iowa Code section 99B.10 (for example, arcade-style games and mechanical crane machines), except for registered amusement devices described in Iowa Code section 99B.10(4). The 15-foot restriction does not apply to pool tables, dart boards, video machine golf tournament games, or other devices that may be used in conjunction with a bona fide contest, as described in Iowa Code section 99B.11, or to any premises that does not allow admittance to any persons under the age of 21. The total number of MVMs placed in the state will be determined by market conditions. For calendar year 2005, the maximum number of MVMs that may be placed in any MVM premises is two, with the exception of fraternal or charitable social clubs, which may place up to four MVMs; and MVM premises in which MVMs are placed in a monitored, age-restricted area, which also may place up to four MVMs. An age-restricted area is an MVM premises in which persons younger than 21 years of age are not allowed; or, in a premises that allows persons younger than 21 years of age, an area that is partitioned or cordoned

off in such a manner so as to restrict access to the MVMs. No location may have more than four MVMs, and all MVMs in a location shall be placed in the same age-restricted area.

12. MVM MARKETING, ADVERTISING AND PROMOTIONS. MVMs are to be marketed, advertised and promoted under the brand name "TouchPlay." When referring to MVMs, MVM retailers and MVM premises operators shall not use any false or misleading terms or statements, including, but not limited to: casino, slot machine, slots, video lottery, VLTs, video slots, or video poker. No model of MVM or any associated games shall be placed at an MVM premises or be demonstrated until the Iowa Lottery has certified the model and game, unless prior written consent has been obtained from the Iowa Lottery. MVM retailers have the responsibility to determine whether an MVM model or game is certified or authorized for demonstration by the Iowa Lottery. MVM retailers should contact the Iowa Lottery directly for verification that an MVM model or game has been certified or authorized prior to placement or demonstration.

13. MVM MAINTENANCE. MVM retailers must keep MVMs fully stocked and in working order during all business hours. MVM retailers are required to perform maintenance on the MVMs and provide a phone number that MVM premises operators can call for service.



TERMINAL SPECIFICATION SHEET

❑ SCISCAN 2000 DIAL-UP CONNECTION: INSTANT TICKETS & PULL-TABS

If you are applying to sell instant-scratch tickets or pull-tabs, upon approval, a validation terminal will be installed in your place of business. You will be required to provide the following:

1. Counter space 8 inches wide by 12 inches deep
2. One 110-volt outlet within 6 feet of the validation terminal
3. A standard business telephone line

The business telephone line must meet the following minimum requirements:

- Must be able to dial out to a toll-free 800 number. Some call-blocking devices do not support this.
- Must be capable of supporting user-supplied telephone set. Pay phone lines do not meet this requirement.
- Must not have more than two devices already attached.
- Must be capable of supporting a modem. More than 99% of the phone lines we have encountered will support our modems.
- Must have a modular (rj 11) jack within 6 feet of the validation terminal. Your Lottery Sales Representative will provide detailed instructions for your installer.

The lottery will reimburse you for reasonable expenses (up to \$75) for the installation of a modular jack on your telephone line. You must provide a copy of the invoice from your installer to your Lottery Sales Representative for reimbursement. Reimbursement will be in the form of a credit to your account.

❑ EXTREMA LOTTO TERMINAL

If you are approved by the Lottery for placement of an Extrema lotto terminal, you will be required to provide the following:

1. Counter space 24 inches wide by 16 inches deep by 13 inches tall (without cash drawer)
2. Two electrical outlets for terminal and communications equipment. The Lottery recommends a separately fused 15 amp duplex outlet within 6 feet of the lottery terminal dedicated to the online terminal and communications gear. No other equipment should be connected to this outlet. No extension cords may be used to connect the terminal or the communications gear.
3. Allow placement of a CDU sign within 6 feet of the lottery terminal. The CDU needs one electrical outlet that may be shared with other devices. Your Lottery Sales Representative will explain sign placement options.

All communications facilities associated with online lottery products will be ordered and paid for by the lottery. Normal monthly billing for the circuit will go to the lottery with the following exception: Damage to the wiring or communications gear (other than normal wear and tear) caused directly by the retailer will be charged to the retailer.

The lottery will determine what type of communication system (satellite, radio or telephone) that will be installed in your store. Satellite and radio systems require equipment to be placed on the exterior of your building.

The inside communications equipment associated with the terminal will be mounted within 6 feet of the terminal and 6 feet of the 110-volt power outlet. At the time of installation, the installer will communicate with you to determine the location that is best suited for your store.

You will be charged a weekly communication fee of \$7.50.